Shelby County Retirement Choice

Making Choices That Count

For Current Participants in the 25 and Out Plan

Required Retirement Choice takes place from May 30 to midnight Central time on July 22, 2005. Watch for employee meetings starting in mid-May and a decision kit with a personal statement that will be distributed to you in late May or early June.

On September 1, 2005, Shelby County will launch a new retirement plan – Plan C. The plan has been designed to respond to needs of the County's diverse workforce, with:

- A "25 and out" feature that allows employees to retire earlier than age 65 with a full retirement benefit … giving added flexibility to longer-service employees. This feature replaces and enhances the 25 and out feature of Plan A that you, as a public safety employee, participate in today. There will not be a 25 and out feature in Plan A starting September 1, 2005.
- An account-based approach to providing retirement benefits … allowing younger, shorter-service employees to see the value of their benefit grow at a faster pace during the early part of their careers.

With this change, all active Retirement Plan A participants hired or rehired before March 1, 2005 ***must make a choice*** … to stay in Plan A or move to Plan C.

The choice period takes place from late May through midnight Central time on July 22, 2005, and everyone must make a choice. This is a one-time decision between Plan A and Plan C that cannot be changed.

Employees hired or rehired on or after March 1, 2005 will automatically move to Plan C in September.

In late May or early June, eligible employees will receive a personal statement and decision kit, along with access to an online Retirement Choice Tool that helps compare the two plan options at various ages. In the meantime, this overview provides a high-level look at the two options and some examples to help you get ready to make your retirement plan choice.

How Benefit Value Grows: Plan A and Plan C

Plan A – A Defined Benefit Approach

Plan A uses a formula that multiplies your final average earnings by a percentage, reflecting your age and credited service at retirement. The benefits are fully-funded by Shelby County. They accumulate slowly when workers are young and new to the County, and increase sharply at the end of a long career. This growth pattern encourages a full career with the County.

Plan A Benefit Formula

Final average earnings X a percentage based on your age and years of credited service

Benefits at age 65 range from 1.5% to 90% of final average earnings, based on credited service (up to 40 years). As a participant, the plan today provides benefits equal to 55% of final average earnings if you retire when you reach 25 years of credited service. This feature will not be available under Plan A as of September 1, 2005, as it will be replaced by a similar feature in Plan C. the only way to continue having a "25 and out" opportunity is to move to Plan C.

Plan C – An Account Approach

Plan C uses a "retirement account" – with benefits funded by you and the County. Plan C benefits build more evenly over your career at Shelby County, regardless of age or the point at which you join the County. This account approach reflects the needs of today's more mobile workforce, where workers tend to work for several employers over their careers, rather than just one.

Plan C Benefit, *Better of:*

Formula benefit	or	Account-based benefit
Final average earnings X years of credited service X 2.35%		Monthly benefit produced by your account balance from • pre-tax employee contributions of 6% of pay • County matching contributions of 3% of pay • 5% annual interest

Monthly benefits using either approach are reduced by any lump sum payment. Unreduced normal retirement benefits will be payable any time after you complete the Plan C transition period and have at least 25 years of credited service. Benefits continue to grow if you stay beyond the 25-year mark. The County will make additional contributions to plan as needed to fund plan benefits.

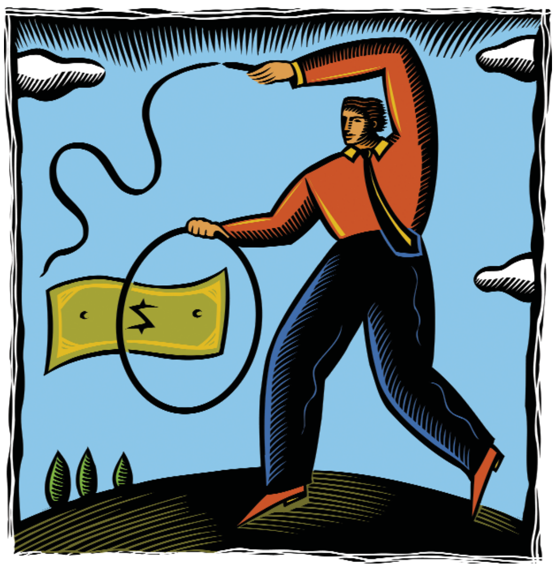
Five-Year Transition Period

To retire with benefits from Plan C, you must make contributions to the plan for at least five years. If you do not complete five years, then your benefit will revert to Plan A's benefit, and you will get your 6% contributions back with 5% annual interest. This means that public safety participants who enrolled for the 25 and out feature effective September 1, 2000, and made continued contributions since then will have already met their transition period when Plan C takes effect September 1, 2005.

If You Are Participating In the Public Safety 25 and Out Feature of Plan A

Contributions you have made toward the cost of that feature will be returned to you with interest when you leave the County if you remain in Plan A. If you choose to move to Plan C, however, your contribution account will be transferred to Plan C as the opening balance of your Plan C account.

Plan C – Added Flexibility:



When You Retire, How You Receive Benefits

- You may retire and begin receiving unreduced Plan C retirement benefits any time after you complete the Plan C transition period and have at least 25 years of credited service. With Plan C, you continue to earn benefits even after you reach 25 years of credited service. After September 1, 2005, with Plan A, you cannot retire and receive unreduced retirement benefits until age 65; reduced benefits are available as early as age 55 with 7 1/2 years of credited service.
- No matter when you leave the County – as long as you have 7 1/2 years of credited service and have completed the five-year transition period – you may receive a lump sum of up to $50,000 from Plan C, representing all or part of the value of your future monthly benefit. Any additional value is paid as a monthly benefit. With Plan A, except for payment of your earlier contribution account, you may receive a lump sum benefit only if the value of your future benefit is less than $35,000.
- If you die before you retire, Plan C death benefits are payable to your spouse and/or children, or to a named beneficiary if you are not married. With Plan A, benefits are payable only to a spouse and/or children; if you are not married, no benefit is paid.

What Flexibility Can Mean to You

These two examples are designed to help you understand the flexibility Plan C offers when it comes to choosing a retirement date – and what you might spend up to various points in your Shelby County career to have that flexibility.

Keep in mind that the examples reflect a 2% annual pay increase, as well as some assumptions about 2005 pay, and age and service at termination of employment (including retirement). Your own benefits will vary based on your age, years of credited service, pay and final average earnings.

As you plan for retirement, keep in mind that inflation will affect the buying power of your projected benefits, so that they are not likely to buy as much in the future as the same dollars buy today.

Example #1: Mark

As of September 1, 2005, Mark will be 35 years old and have 5 years of credited service in the Plan A "25 and out" plan. He will earn an estimated $30,000 in 2005 and has $4,216 in his Plan A contributions account (including interest earned). Here's how Mark's projected benefits under Plan A and Plan C compare:

If Mark works to age:	If he chooses Plan A (updated), his benefit at the following ages will be:	If he chooses Plan C (new), his benefit at the following ages will be:
40 (5 more years)	Estimated value of Mark's benefits: $12,801 at age 40 Immediately: $12,801 lump sum payment before any taxes have been paid, with no future monthly benefit option … Plan A automatically pays out lump sums under $20,000; lump sum includes return of Plan A contributions	Estimated value of Mark's benefits: $20,879 at age 40 Immediately: $20,879 lump sum before any taxes have been paid (the value of his 6% contribution and the 3% matching contribution)
45 (10 years from Plan C start date)	Estimated value of Mark's benefits: $26,585 at age 45 Payable Immediately: • $26,585 lump sum before any taxes have been paid … in lieu of any future monthly benefits; includes return of Plan A contributions If Mark waits until age 55 to begin receiving benefits: • $292 per month and return of $6,868 in contribution account If Mark waits until age 65 to begin receiving benefits: • $806 per month and return of $18,220 in contribution account • No lump sum available *Mark will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Mark's benefits: $43,758 at age 45 Payable Immediately: • $43,758 lump sum before any taxes have been paid … in lieu of any future monthly benefits If Mark waits until age 55 to begin receiving benefits: • $520 per month or • $50,000 lump sum and $155 per month* If Mark waits until age 65 to begin receiving benefits: • $1,033 per month or • $50,000 lump sum and $603 per month *Mark will have contributed approximately $23,531 from his pay, including former Plan A contributions.*
55 (20 more years … to reach Plan C's "25 and out")	Estimated value of Mark's benefits: $213,135 at age 55 Payable Immediately: • $1,473 per month and return of $11,186 in contribution account If Mark waits until age 65 to begin receiving benefits: • $1,964 per month and return of $18,220 in contribution account *Mark will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Mark's benefits: $287,625 at age 55 Payable Immediately: • $2,098 per month or • $50,000 lump sum and $1,733 per month If Mark begins collecting benefits at any age after 55, his monthly benefit (without any lump sum) would be $2,098. *Mark will have contributed approximately $47,557 from his pay, including former Plan A contributions.*
65 (30 more years)	Estimated value of Mark's benefits: $436,036 at age 65 Payable Immediately: • $3,591 per month and return of $18,220 in contribution account *Mark will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Mark's benefits: $416,549 at age 65 Payable Immediately: • $3,580 per month or • $50,000 lump sum and $3,151 per month *Mark will have contributed approximately $76,845 from his pay, including former Plan A contributions.*

* *Note: If Mark takes the lump sum and the monthly value of any remaining benefit is less than $200, the entire benefit will be paid as a lump sum.*

Reminder:

Your own benefits will vary based on your age, years of credited service, pay and final average earnings.

Example #2: Cindy

Cindy is 45 years old and has 20 years of credited service. She will earn $30,000 in 2005 and has $4,216 in her Plan A contributions account (including interest earned). Here's how Cindy's projected benefits under Plan A and Plan C compare:

If Cindy works to age:	If she chooses Plan A (current), her benefit at the following ages will be:	If she chooses Plan C (new), her benefit at the following ages will be:
50 (Cindy reaches Plan C's "25 and out")	Estimated value of Cindy's benefits: $58,732 at age 50 Payable Immediately: • No monthly benefit until age 55 • Return of $5,380 in contribution account If Cindy waits until age 55 to receive benefits: • $530 per month and return of $6,867 in contribution account If Cindy waits until age 65 to receive benefits: • $1,459 per month and return of $11,186 in contribution account *Cindy will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Cindy's benefits: $225,509 at age 50 Payable Immediately: • $1,559 per month or • $50,000 lump sum and $1,213 per month If Cindy begins receiving benefits at any age after 50, her monthly benefit (without any lump sum) would be $1,559. *Cindy will have contributed approximately $13,189 from her pay, including former Plan A contributions.*
55 (10 more years)	Estimated value of Cindy's benefits: $217,718 at age 55 Payable Immediately: • $1,538 per month and return of $6,867 in contribution account If Cindy waits until age 65 to receive benefits: • $2,051 per month and return of $11,186 in contribution account *Cindy will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Cindy's benefits: $283,143 at age 55 Payable Immediately: • $2,065 per month or • $50,000 lump sum and $1,701 per month If Cindy begins receiving benefits at any age after 55, her monthly benefit (without any lump sum) would be $2,065. *Cindy will have contributed approximately $23,531 from her pay, including former Plan A contributions.*
65 (20 more years)	Estimated value of Cindy's benefits: $385,100 at age 65 Payable Immediately: • $3,214 per month and return of $11,186 in contribution account *Cindy will have contributed $3,822 to Plan A before September 1, 2005.*	Estimated value of Cindy's benefits: $390,532 at age 65 Payable Immediately: • $3,357 per month or • $50,000 lump sum and $2,927 per month *Cindy will have contributed approximately $47,557 from her pay, including former Plan A contributions.*

About The Lump Sums Shown

- Plan A – Lump sum values of less than $20,000 are automatically paid out at termination. Lump sum values from $20,000 to $34,999 may be requested by participant at termination or retirement. Lump sums take the place of monthly benefits.
- Plan C – Lump sums of less than $20,000 are automatically paid out at termination. Lump sum up to $50,000 (in $10,000 increments) may be requested at termination or retirement – in place of the monthly benefit represented by that value. Any remaining value is payable as a monthly benefit.
- Lump sum estimates reflect current rules and assumptions for Plans A and C. Those rules and assumptions could change in the future.

Making Your Choice Count

As you get ready to learn more about your retirement plan choice and select the best plan for you, think about:

- **When you think you will leave the County or retire.** Remember that Plan C has a five-year transition period with your years of participation in Plan A's "25 and out" counted. If you plan to leave the County before your transition period has been satisfied, this option probably is not right for you. For younger employees, Plan C generally delivers more value when you retire with 25 years of credited service; if you stay beyond that age, Plan A will often deliver more value. The personal statement and Retirement Choice tool available in late May will help you compare your personal situation.
- **How much flexibility you want or need when it comes to making regular contributions toward your retirement income.** If you select Plan C, you will contribute 6% of pay for the rest of your career with the County; you cannot stop your Plan C contributions. Regardless of which plan you select, you may always set aside money for retirement through the Nationwide Deferred Compensation Plan. If you stay in Plan A, you might want to consider using the Nationwide Deferred Compensation Plan to set aside the same 6% of pay for retirement as you would be contributing under Plan C. The advantage of this approach over joining Plan C is flexibility: You could decide to contribute 6% of pay (or more – or less) now, and change your contribution as you need or want to in the future.
- **Your income needs and resources for the future.** Taking time now to think this through can help you be ready to make an informed choice.

Don't Forget

Other important parts of your financial future as you prepare to make a choice between Plan A and Plan C:

- **If you will have 25 years of credited service before September 1, 2005, you may retire with current Plan A benefits before September 1, 2005.** After that date, you may retire with unreduced Plan A benefits only after you reach age 65. Contact the Retirement Office if you wish to start the retirement process.
- **No matter which retirement plan you select, the Nationwide Deferred Compensation Plan can make a substantial difference in your future income.** You can save as much as the IRS limit allows – in 2005, that limit is $14,000. You can invest in a variety of investment funds the plan offers. You may change your contribution amount or your investments any time. Your contributions are made with pre-tax dollars from your pay, and your money grows tax-deferred until you receive a payment from the plan.
- **Retiree medical expenses and coverage should be part of your choice process.** Healthcare might very well determine when you can retire. In deciding which retirement plan to choose, think about what kind of healthcare coverage you will have after you retire, particularly if you retire before age 65. The cost of healthcare will probably be one of the most expensive items in your budget after you retire and in recent years has increased two to three times faster than the Consumer Price Index. Retiree healthcare coverage is not a vested part of your retirement benefit; it can and has changed in recent years.

What's Next?

Your decision kit and the Retirement Choice Tool will be available in late May/early June. That's about when the County will begin meetings for most Plan A participants. At those meetings, you can learn more about the choice ahead and ask your questions.